

**KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE
UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana**

**AUDIT REPORT
June 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-31-07

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INDEPENDENT AUDITORS' REPORT

KRVS-FM Radio
University of Louisiana at Lafayette
Lafayette, Louisiana

We have audited the financial statements of KRVS-FM Radio (A Public Telecommunications Entity operated by the University of Louisiana at Lafayette) as of and for the year ended June 30, 2006, as listed in the accompanying table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

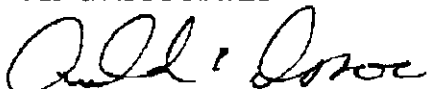
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KRVS-FM Radio as of June 30, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2006, on our consideration of KRVS-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 - 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

AULD & ASSOCIATES



Certified Public Accountants

Lafayette, Louisiana
December 26, 2006

**KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006**

The following discussion and analysis is an overview of the financial position and activities of KRVS-FM Radio (KRVS) for the year ended June 30, 2006. Please read this document in conjunction with the information contained in the KRVS financial statements which follow this section.

FINANCIAL HIGHLIGHTS

KRVS's assets exceeded liabilities at the close of fiscal year 2006 by \$612,170.23, which represents an increase of \$31,886.20 (or 5.49%) from the last fiscal year.

KRVS's operating revenue increased \$24,975.25 (or 3.34%) while operating expenses increased \$40,954.73 (or 5.86%).

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of two sections

1. Management's Discussion and Analysis (this section).
2. The basic financial statements (including the notes to the financial statements).

These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for KRVS as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of KRVS is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how KRVS's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how KRVS's cash changed as result of current year operations. The cash flow statement is prepared using the indirect method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets As of June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Current Assets	\$172,935.36	\$146,620.58
Equipment, net	<u>447,951.87</u>	<u>460,128.45</u>
Total Assets	<u>\$620,887.23</u>	<u>\$606,749.03</u>
Current Liabilities	\$ 8,717.00	\$ 26,465.00
Total Liabilities	<u>\$ 8,717.00</u>	<u>\$ 26,465.00</u>
Net Assets:		
Invested in capital assets, net of debt	\$447,951.87	\$460,128.45
Unrestricted	<u>164,218.36</u>	<u>120,155.58</u>
Total Net Assets	<u>\$612,170.23</u>	<u>\$580,284.03</u>

Statement of Revenues, Expenses and Changes in Net Assets As of June 30 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues	\$771,871.09	\$746,895.84
Operating Expenses	<u>740,121.43</u>	<u>689,166.70</u>
Operating Income	\$ 31,749.66	\$ 47,729.14
Nonoperating Revenues	<u>136.54</u>	<u>401.60</u>
Increase in Net Assets	\$ 31,886.20	\$ 48,130.74
Net Assets, Beginning of Year	<u>580,284.03</u>	<u>532,153.29</u>
Net Assets, End of Year	<u>\$612,170.23</u>	<u>\$580,284.03</u>

CAPITAL ASSETS

At June 30, 2006, KRVS had \$447,951.87, net of accumulated depreciation of \$395,476.35, invested in capital assets, all of which is equipment.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

KRVS's management considered the following factors and indicators when planning next year's operations:

1. Impact from potential hurricanes similar to Katrina and Rita.
2. Cost of living adjustments for salaries and other expenses.
3. Changing conditions in the broadcasting industry.

CONTACTING KRVS MANAGEMENT

This financial report is designed to provide our supporters and listeners with a general overview of KRVS's finances and to show KRVS's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Spizale, General Manager, KRVS, P.O. Box 42171, Lafayette, Louisiana, 70504.

KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

CURRENT ASSETS		
Cash	\$137,208.64	
Prepaid Expenses	<u>35,726.72</u>	
Total Current Assets		\$172,935.36
NONCURRENT ASSETS		
Equipment	\$843,428.23	
Less: Accumulated Depreciation	<u>395,476.36</u>	
Total Noncurrent Assets		<u>447,951.87</u>
TOTAL ASSETS		<u>\$620,887.23</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 1,094.00	
Deferred Revenue	<u>7,623.00</u>	
Total Current Liabilities		\$ 8,717.00
NET ASSETS		
Invested in Capital Assets	\$447,951.87	
Unrestricted	<u>164,218.38</u>	
Total Net Assets		<u>612,170.23</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$620,887.23</u>

See accountants' report and accompanying notes to financial statements.

KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

		<u>Unrestricted Net Assets</u>
OPERATING REVENUES		
Support from the University of Louisiana at Lafayette	\$345,624.34	
Memberships and Contributions	160,723.02	
Corporation for Public Broadcasting	118,035.50	
CPB Emergency Funding	29,446.50	
State and Local Grants	18,245.00	
Student Tuition Assessment	17,527.38	
Underwriting	72,469.35	
Other Operating Revenue	<u>9,800.00</u>	
TOTAL OPERATING REVENUES		<u>\$771,871.09</u>
OPERATING EXPENSES		
Program Services		
Programming and Production	\$248,717.98	
Broadcasting	161,411.47	
Emergency Hurricane Expenses	<u>29,501.88</u>	
Total Program Services		\$439,631.33
Supporting Services		
Management and General	<u>\$300,490.10</u>	
Total Supporting Services		<u>300,490.10</u>
TOTAL OPERATING EXPENSES		<u>\$740,121.43</u>
OPERATING INCOME		\$ 31,749.66
NONOPERATING REVENUES		
Interest Income	<u>\$ 136.54</u>	
TOTAL NONOPERATING REVENUES		<u>136.54</u>
INCREASE IN NET ASSETS		\$ 31,886.20
NET ASSETS, BEGINNING OF YEAR		<u>580,284.03</u>
NET ASSETS, END OF YEAR		<u>\$612,170.23</u>

See accountants' report and accompanying notes to financial statements.

KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 31,886.20
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	35,471.96
Decrease in Grants Receivable	15,000.00
Increase in Prepaid Expenses	(3,290.82)
Increase in Accounts Payable	1,094.00
Decrease in Deferred Revenue	<u>(18,842.00)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 61,319.34</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	<u>\$ (23,295.38)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (23,295.38)</u>
NET INCREASE IN CASH	\$ 38,023.96
CASH AT BEGINNING OF YEAR	<u>99,184.68</u>
CASH AT END OF YEAR	<u>\$137,208.64</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	<u>\$ 0.00</u>

See accountants' report and accompanying notes to financial statements.

**KRVS-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

KRVS-FM Radio (the Station) is a public telecommunications entity operated by the University of Louisiana at Lafayette. Its purpose is to provide public radio programming and broadcasting in Lafayette, Louisiana and surrounding areas. The station is funded primarily by support from the University and by federal, state and local grants, as well as private sector memberships, contributions, and underwriting.

REPORTING ENTITY

KRVS-FM Radio is a departmental budget unit of the University of Louisiana at Lafayette. As such, the financial transactions of the Station are maintained in separate accounts by the University. The accompanying financial statements of the Station contain sub-account information of the University.

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Station are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Station also applies all applicable pronouncements of the Financial Accounting Standards Board (FASB).

On July 1, 2005, the Station adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 requires the financial statements to include a Management's Discussion and Analysis (MD&A) section, a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting. This means revenues are recognized when earned and expenses are recognized when incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost or, if donated, at fair market value at date of receipt. The radio station capitalizes all property and equipment with a cost, or value if donated, in excess of \$1,000. Depreciation is calculated on a straight-line basis over estimated useful lives ranging from five to thirty years. Expenses for repairs and maintenance are charged to operating expense as incurred. Depreciation expense is \$35,471.96 for the year ended June 30, 2006.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, demand deposits are considered cash.

FUNCTIONAL EXPENSE ALLOCATIONS

A summary of the costs of providing various program and supporting services is in the statement of activities. Accordingly, certain costs are allocated between the programs and supporting services benefited.

ADVERTISING COSTS

Advertising costs of \$920.00 were expensed as incurred.

NOTE 2 - CONCENTRATION OF CREDIT RISK

KRVS cash accounts are maintained through a clearing account controlled by the University of Louisiana at Lafayette. Amounts in excess of federal insurance limits are insured in accordance with state law, which requires the financial institution to pledge securities to cover the excess.

NOTE 3 – DEFERRED REVENUE

Deferred revenue represents the unexpended portion of the following grants:

Corporation for Public Broadcasting	\$7,069.50
CPB Emergency Funding	<u>553.50</u>
Total	<u>\$7,623.00</u>

NOTE 4 – DONATED FACILITIES AND ADMINISTRATIVE SUPPORT

Donated facilities and administrative support from the University of Louisiana at Lafayette consist of office and studio space and an allocation of costs incurred by the University on behalf of the radio station. The following items are included in revenue and expense:

Salaries, taxes, and benefits for the radio station's management and operations personnel	\$271,565.82
Utilities for the transmitter	37,395.30
Land rent for radio tower (See Note 5)	100.00
Indirect administrative support	<u>36,563.22</u>
Total	<u>\$345,624.34</u>

NOTE 5 – OPERATING LEASES

The University of Louisiana at Lafayette leases land for a radio tower from the Lafayette Parish School Board. The lease expires on July 31, 2010, and requires annual rent of one dollar.

KRVS leases tower space from KLFY-TV10. The agreement is unwritten, on a month to month basis, and requires monthly rental payments of \$1,193.00. Rental expense for the year ended June 30, 2006 is \$14,316.00

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

KRVS-FM Radio
University of Louisiana at Lafayette
Lafayette, Louisiana

We have audited the financial statements of KRVS-FM Radio (A Public Telecommunications Entity operated by the University of Louisiana at Lafayette) as of and for the year ended June 30, 2006, and have issued our report thereon, dated December 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

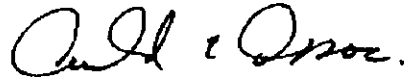
As part of obtaining reasonable assurance about whether KRVS-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KRVS-FM Radio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the University of Louisiana at Lafayette, the Louisiana Legislative Auditor, and the Corporation for Public Broadcasting. This report is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

AULD & ASSOCIATES

A handwritten signature in cursive script, likely reading "Auld & Associates", written in dark ink.

Certified Public Accountants

Lafayette, Louisiana
December 26, 2006